PRESS RELEASE

7 February: Smurfit Kappa Group plc ('SKG' or 'the Group') today announced results for the 3 months and full year ending 31 December 2017.

2017 Fourth Quarter & Full Year | Key Financial Performance Measures

€m	FY 2017	FY 2016	Change	Q4 2017	Q4 2016	Change	Q3 2017	Change
Revenue	€8,562	€8,159	5%	€2,208	€2,060	7%	€2,121	4%
EBITDA (1)	€1,240	€1,236	-	€351	€320	10%	€320	10%
EBITDA Margin (1)	14.5%	15.1%		15.9%	15.5%		15.1%	
Operating Profit before Exceptional Items	€820	€830	(1%)	€246	€221	12%	€216	14%
Profit before Income Tax	€576	€654	(12%)	€161	€155	4%	€170	(5%)
Basic EPS (cent)	177.2	189.4	(6%)	50.2	42.3	19%	52.7	(5%)
Pre-exceptional Basic EPS (cent) (1)	185.3	189.4	(2%)	57.6	47.4	22%	52.7	9%
Return on Capital Employed (1)	15.0%	15.4%					14.8%	
Free Cash Flow (1)	€307	€303	1%	€109	€104	5%	€152	(28%)
Net Debt (1)	€2,805	€2,941	(5%)				€2,839	(1%)
Net Debt to EBITDA (LTM) (1)	2.3x	2.4x					2.3x	

(1) Additional information in relation to these Alternative Performance Measures ('APMs') is set out in Supplementary Financial Information on page 31.

Fourth Quarter and Full Year Key Points

- Group revenue growth of 7% for the fourth quarter and 5% for the full year
- Fourth quarter EBITDA up 10% year-on-year with reported full year EBITDA of €1,240 million
- Full year ROCE at 15.0% in line with Group target
- Solid free cash flow generation of €307 million for the year
- Net debt to EBITDA of 2.3x
- Final dividend increase of 12% to 64.5 cent per share

Performance Review and Outlook

Tony Smurfit, Group CEO, commented:

"I am pleased to report EBITDA for the fourth quarter of €351 million, an increase of 10% year-on-year. Our EBITDA margin for the quarter at 15.9% also improved both year-on-year and on a sequential basis. Our full-year EBITDA was €1,240 million, a record for the Group, with an EBITDA margin of 14.5%.

"Our full year result was delivered against a backdrop of an increase in excess of €120 million in recovered fibre costs, generally higher raw material costs and adverse currency movements.This improved result for the year, and more importantly for the fourth quarter, reflects the benefits of our continued focus on offering our customers cost effective and innovative solutions, our capital expenditure program, input cost recovery through paper and box price increases and generally strong markets. We also continue to benefit from the Group's geographic reach and integrated model, which support our customers by ensuring security of supply in very tight markets.

“Our European business showed very strong progression for the quarter, growing its margin to 16.5%. This strong performance came as a result of high levels of demand across most product lines and input cost recovery. Security of supply for our customers is key for us and we have been investing accordingly.

“In the Americas, reported EBITDA of €311 million and a 14.4% margin came in below our expectations. The result was impacted by a number of factors including increased recovered fibre costs, adverse weather events in the latter half of the year, the continued rise in containerboard prices where we are a significant net buyer of approximately 300,000 tonnes and adverse currency moves. During the fourth quarter, some countries experienced an unexpected slowdown which now shows signs of reversing. The region has been progressing its input cost recovery through 2017 and this will continue into 2018.

“Our two most recent acquisitions in Russia and Greece are integrating well. The Group remains ready to further expand our geographic footprint through acquisition where we can deliver long-term value creation.

“Our net debt to EBITDA ratio at 2.26x is at the lower end of our stated range.

“As we start 2018, the benefits of paper-based packaging are being increasingly recognised as the most sustainable, biodegradable solution for both our customers and their end customers. SKG continues to invest and develop these innovative and sustainable packaging applications which will further broaden our product portfolio. These investments will continue to ensure security of supply for our customers and help them address growing trends such as e-commerce and increasing supply chain complexity.

“SKG is a leader in the area of corporate social responsibility, which has been recognised by a number of third party organisations, and we are committed to supporting the communities in which we operate.

“While we continue to experience currency volatility, wage inflation as well as higher energy and other input costs, 2018 has seen the continuation of good demand in Europe, further input cost recovery and signs of improvement in our Americas business. The Group has exciting plans in place to continue our development and sustain our industry leadership into the future”.

About Smurfit Kappa

Smurfit Kappa, a FTSE 100 company, is one of the leading providers of paper-based packaging solutions in the world, with around 46,000 employees in approximately 370 production sites across 35 countries and with revenue of €8.6 billion in 2017. We are located in 22 countries in Europe, and 13 in the Americas. We are the only large-scale pan-regional player in Latin America.

With our pro-active team, we relentlessly use our extensive experience and expertise, supported by our scale, to open up opportunities for our customers. We collaborate with forward thinking customers by sharing superior product knowledge, market understanding and insights in packaging trends to ensure business success in their markets. We have an unrivalled portfolio of paper-packaging solutions, which is constantly updated with our market-leading innovations. This is enhanced through the benefits of our integration, with optimal paper design, logistics, timeliness of service, and our packaging plants sourcing most of their raw materials from our own paper mills.

smurfitkappa.com

Check out our microsite*:* openthefuture.info
Follow us on Twitter at @smurfitkappa and on LinkedIn at 'Smurfit Kappa'.

Forward Looking Statements

Some statements in this announcement are forward-looking. They represent expectations for the Group's business, and involve risks and uncertainties. These forward-looking statements are based on current expectations and projections about future events. The Group believes that current expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the Group's control, actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

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2017 Fourth Quarter & Full Year | Performance Overview

The Group reported EBITDA for the quarter of €351 million, €31 million up on the same period last year. EBITDA in Europe was €41 million higher, offset by a fall of €11 million in the Americas with lower Group Centre costs. The underlying[1] move in EBITDA was an increase of 15%, reflecting higher earnings in both regions.

The EBITDA margin of 15.9% for the fourth quarter improved from 15.1% in the third quarter driven primarily by improving margins in our European segment. The Group continued its recovery of raw material cost pressures through corrugated price increases in 2017 and expects further cost recovery as we progress through 2018. The improved sequential and year-on-year margins reflect the benefits of our capital spend programme, the strength of our integrated model, investment in innovation and sustainability and the ongoing cost recovery initiatives across our operations.

In Europe, for the full year, EBITDA increased by 3% to €955 million. The benefits of prior years' capital investments, input cost recovery together with strong volume growth were fundamental in achieving this result. Reported box volume growth was 5% in the fourth quarter and over 3% for the full year. Adjusting for acquisitions and working days, the year-on-year box volume growth for the quarter was 4% and over 3% for the year.

In Europe, average recovered fibre input prices for the fourth quarter were 2% higher year-on-year and 14% higher for the full year.

The European markets for both testliner and kraftliner were stable in the fourth quarter. The Group announced a €60/tonne price increase at the end of December across all grades, the majority of which will be implemented in February. This announcement was driven by continued strong demand, increasing input costs and a volatile recovered fibre outlook. Demand for both grades remains strong with our integrated position a key differentiator in meeting our customers' packaging requirements at a time of scarce availability, especially in kraftliner.

In 2017, the Group completed the acquisitions of Soyuz, near Moscow in Russia, and Chatziioannou, near Thessaloniki in Greece.

Recovered fibre costs were also higher year-on-year in the Americas, 25% higher in the fourth quarter and 26% higher for the full year. The Group continues to anticipate a long-term upward trend in pricing for this raw material.

In the Americas, EBITDA increased to €87 million in the fourth quarter from €79 million in the third quarter. However, this was below the €98 million in the fourth quarter of 2016. For the full year, EBITDA in the region was down 8% on 2016. Export pricing for kraftliner from the US into Latin America is up significantly with third party benchmarks reporting a 44% increase year-on-year for the quarter. Our short position in the region, where we buy approximately 300,000 tonnes of kraftliner, together with higher recovered fibre costs, had a significant adverse impact on the year's results. The Group continues to recover these input cost pressures as we move into 2018. The region will also benefit in 2018 from the investments made in our new mill in Los Reyes in Mexico as well as the expansion of the Papelsa mill in Colombia. At full run rate, these two projects will integrate an additional 140,000 tonnes of containerboard into our corrugated system.

The Group reported a free cash flow of €307 million in 2017 compared to €303 million in 2016. In January 2017, SKG issued a €500 million bond at a historically low rate for the Group of 2.375% and the average maturity profile of the Group's debt now stands at 3.4 years with an average interest rate of 4.1%. Net debt to EBITDA was 2.3x at the year end. The Group remains well positioned within its Ba1/BB+/BB+ credit rating.

2017 Fourth Quarter | Financial Performance

Revenue for the quarter was €2,208 million, up 7% on the same period last year, or 9% on an underlying basis. Revenue in Europe was up 8% or €124 million, driven predominantly by underlying revenue growth with a small contribution from acquisitions. Revenue in the Americas was up 4% or €24 million with underlying revenue growth of 14%.

[1] Underlying in relation to financial measures throughout this report excludes acquisitions, disposals, currency and hyperinflation movements where applicable

EBITDA for the fourth quarter was up 10% to €351 million with earnings growth of 18% in Europe offset by reduced earnings in the Americas of 12%. On an underlying basis, Group EBITDA was up 15% in the quarter.

Exceptional items charged within operating profit in the fourth quarter of 2017 amounted to €23 million. €12 million related to reorganisation and restructuring costs in the Americas and €11 million related to an impairment charge on property, plant and equipment in Europe and the Americas.

Exceptional items charged within operating profit in the fourth quarter of 2016 amounted to €15 million and related to reorganisation and restructuring costs in the Americas.

Net finance costs at €62 million were €11 million higher than in 2016, primarily as the result of increased non-cash costs.

At €40 million, cash interest was €2 million higher than in the fourth quarter of 2016.

With the €25 million increase in pre-exceptional operating profit partly offset by higher net pre-exceptional finance costs and higher exceptional items, the profit before income tax of €161 million was €6 million higher than in 2016.

The income tax expense was €41 million compared to €49 million in 2016.

Pre-exceptional basic EPS was 57.6 cent for the quarter to December 2017 (2016: 47.4 cent), an increase of 22% year-on-year.

2017 Full year | Financial Performance

Revenue for the full year was €8,562 million, up 5% on the same period last year, or 6% on an underlying basis. Revenue in Europe was up €258 million or 4%, driven predominantly by underlying revenue growth. Revenue in the Americas was up 7% or €145 million with underlying revenue growth of 12%.

EBITDA for the full year was €1,240 million, €4 million ahead of 2016, with higher earnings in Europe and lower Group centre costs partly offset by lower earnings in the Americas.

Exceptional items charged within operating profit of €23 million and €15 million for 2017 and 2016 respectively, arose entirely in the fourth quarter of each year.

Net pre-exceptional finance costs at €219 million were €44 million higher than in 2016, primarily as a result of an increase in cash interest and a swing of €28 million from a net monetary gain relating to hyperinflation in 2016 to a loss in 2017. Cash interest was €10 million higher year-on-year.

The exceptional finance cost of €2 million in 2017 represented the accelerated amortisation of issue costs relating to the debt within our senior credit facility which was paid down with the proceeds of the €500 million bond issue in January 2017.

Exceptional finance income in 2016 amounted to €12 million in relation to the profit on the sale of our shareholding in the Swedish company IL Recycling.

With a €10 million decrease in pre-exceptional operating profit impacted by higher net pre-exceptional finance costs, lower earnings from associates and higher exceptional items, the profit before income tax of €576 million was €78 million lower than in 2016.

The income tax expense was €153 million compared to €196 million in 2016, the decrease of €43 million in the expense largely reflected moves in profitability and non-cash deferred tax credits.

Basic EPS for the full year of 2017 was 177.2 cent, 6% lower than the 189.4 cent earned in the same period of 2016. On a pre-exceptional basis, EPS was 185.3 cent for the full year, 2% lower than the 189.4 cent in 2016.

2017 Fourth Quarter and Full Year | Free Cash Flow

Free cash flow in 2017 was €307 million compared to €303 million in 2016, an increase of €4 million. The year-on-year increase reflected marginally higher EBITDA and lower 'other' outflows offset partially by higher cash interest paid, a higher working capital outflow and slightly higher capital outflows.

The working capital move in the year to December was an outflow of €112 million compared to €95 million in 2016. The outflow in 2017 was the combination of an increase in stocks and debtors partly offset by an increase in creditors. Working capital amounted to €644 million at December 2017 (2016: €573 million), representing 7.3% of annualised revenue compared to 8.1% at September 2017 and 7.0% at December 2016.

Capital expenditure amounted to €430 million in the year to December 2017 and equated to 109% of depreciation, compared to 127% in 2016.

Cash interest at €158 million in 2017 was €10 million higher than in 2016, mainly as a result of the impact of the bond issued in January 2017 as well as our exposure to the relatively high local interest rates in Latin America.

Tax payments were €154 million, which were €3 million higher than in 2016. This is primarily due to the timing of payments.

2017 Fourth Quarter and Full Year | Capital Structure

Net debt was €2,805 million at the end of December, resulting in a net debt to EBITDA ratio of 2.3x compared to 2.3x at the end of September 2017 and 2.4x at the end of 2016. The Group's balance sheet continues to provide considerable financial strategic flexibility, subject to the stated leverage range of 2.0x to 3.0x through the cycle and SKG's Ba1/BB+/BB+ credit rating.

At 31 December 2017, the Group's average interest rate was 4.1% compared to 4.3% at 31 December 2016. The Group's diversified funding base and long dated maturity profile of 3.4 years provide a stable funding outlook. In terms of liquidity, the Group held cash balances of €539 million at the end of the year, which was further supplemented by available commitments under its revolving credit facility of approximately €834 million.

2017 Fourth Quarter and Full Year | Dividend

The Group views its dividend as an important component of its investment thesis and a way to directly transfer value creation within the business to shareholders. For the year 2017, the Board is recommending a final dividend of 64.5 cent per share, a 12% increase year-on-year. Combined with an interim dividend of 23.1 cent per share paid in October 2017, this will bring the total dividend to 87.6 cent, a 10% increase year-on-year.

It is proposed to pay the final dividend on 11 May 2018 to all ordinary shareholders on the share register at the close of business on 13 April 2018. As in previous years, the 2018 dividend will be paid in two parts, an interim dividend payable in October 2018 and a final dividend payable in May 2019.

2017 Fourth Quarter and Full Year | Semi-Annual Reporting

In common with the majority of our FTSE 100 listed peers and reflective of a focus on the longer term strategic direction of the Group, we are considering a move from full quarterly to semi-annual reporting together with trading updates on the Group's performance following the end of its first quarter and third quarter. The Group remains committed to full and transparent disclosure in accordance with the requirements of companies listed on the London Stock Exchange and the Irish Stock Exchange.

2017 Fourth Quarter and Full Year | Commercial Offering and Innovation

The Group was recognised with 43 awards for design, print and sustainability across our global operations in 2017, with 17 awards in the fourth quarter alone. These awards were spread across Colombia, the Czech Republic, France, Germany, Ireland, the Netherlands, Poland, Russia, Switzerland and the United Kingdom.

During the fourth quarter, the Group continued to expand its network of global experience centres with the opening in October of our first Experience Centre in South America in Cali, Colombia. The expansion of our global experience centre network continues to drive real value for customers and fundamentally changes how corrugated packaging is seen within our customers' world. The Group plans to open an Experience Centre in Mexico City in the first quarter of 2018.

In 2017, the Group added to the existing portfolio of industry leading business applications that help our customers win in their marketplace. Our unique eCommerce packaging service, eSmart, launched in October 2017, allows our experts to scrutinise and optimise the performance of our customers packaging across 12 different areas, from optimising their planning and increasing supply chain efficiency to delivering a positive customer experience. SupplySmart, launched in September 2017, is a combination of unique tools, data and expertise, enabling our customers to optimise the role of packaging across their supply chains, giving them reassurance that they can make fully risk assessed decisions that will deliver measurable cost savings.

These tools complement ShelfSmart, launched in 2016, an application that allows our brand owners to use the Group's technology to evaluate, measure and validate their on-shelf shopper marketing strategies in test conditions, rapidly delivering optimised Shelf-Ready Packaging that disrupts and engages shoppers.

In the week beginning 26 February 2018, the Group will host its customers at the Global Experience Centre in Amsterdam to discuss the challenges and solutions to operating in the modern eCommerce environment. Experts will be available to all the Group's customers to help them better understand how the right packaging can help deliver the right customer experience in the most efficient manner and for the lowest cost.

2017 Fourth Quarter and Full Year | Regional Performance Review

Europe

The European segment delivered a 3% increase in full year EBITDA to €955 million in 2017. This was achieved despite increased raw material input costs and adverse currency impacts. The improved result was delivered through the benefits of our capital spend programme, ongoing input cost recovery and strong growth in most markets. EBITDA margin for the year was 14.9% against 15.1% in 2016, and 16.5% against 15.1% in 2016 for the quarter.

The Group's differentiated market offering increasingly positions SKG as a key solutions provider to our customers, delivering real, tangible benefits via increased sales to their customers, reduced costs in their supply chain and by providing the most sustainable packaging solutions in the market.

The strength of the Group's European integrated model has delivered security of supply to all our customers in what has been an extremely tight market. This security of supply ensures our customers have a sustainable, biodegradable packaging solution that meets their supply chain requirements, available at all times and from certified sustainable sources.

Box volumes grew by 5% in the fourth quarter or 6% on a days adjusted basis, net of acquisitions the growth was 4% on a days adjusted basis for the quarter. The growth was broad-based across most sectors and geographies with strong growth in eCommerce customers across the region.

Input cost recovery in corrugated pricing continued to progress in the fourth quarter with further progress expected in 2018.

In the fourth quarter of 2017, the price of recovered fibre in our European business was up 2% year-on-year, though down sequentially, it continued to be a headwind year-on-year. For the full year 2017, recovered fibre was up over 13%, or a headwind against 2016 for our paper division of approximately €80 million. The Group continues to anticipate a long-term upward trend in recovered fibre pricing.

Kraftliner has remained in tight supply through 2017 with the Group implementing price increases totalling €150 per tonne during the year. As in the case of recycled containerboard, with demand for kraftliner containerboard remaining robust, the Group announced a further price increase of €60 per tonne in December, the majority of which will be implemented in February. The Group plans to carry out significant maintenance on its French kraftliner mill during the month of March which will cause a reduction in output of 40,000 tonnes in 2018.

In recycled containerboard, price increases of over €100 per tonne achieved earlier in the year were maintained, buoyed by strong demand. Due to increased demand, rising input costs in raw materials, energy, chemicals and labour, and a volatile outlook for recovered fibre costs, the Group announced a further price increase of €60 per tonne in December, the majority of which will be implemented in February.

The Americas

The Americas segment reported a year-on-year reduction in EBITDA of 12% for the quarter and 8% for the year, delivering €87 million and €311 million respectively. The EBITDA margin in the Americas reduced sequentially in the fourth quarter from 15.4% to 15.0% and for the year to 14.4% from 16.8% in 2016.

The results were impacted by a number of factors including increased export prices for containerboard from the US into Latin America, where our system is short approximately 300,000 tonnes of kraftliner, increased recovered fibre costs, adverse currency movements, adverse natural events and some countries that experienced an unexpected slowdown in the fourth quarter which now shows signs of reversing.

Full year reported corrugated volumes increased by 2% year-on-year excluding Venezuela. Within the region, some countries did not perform as well as anticipated.

In Colombia, corrugated volumes were up 2% for the year with a contraction in demand since September as a combination of higher interest rates and local VAT rates impacted local consumption in the country, which is expected to normalise in 2018. The country is also set to benefit from continued input cost recovery and the ramp up of the Papelsa Mill expansion which started up in late 2017 and at full run-rate will deliver an additional 40,000 tonnes of recycled containerboard for integration.

In Mexico, corrugated volumes were up 3% for the year. Corrugated volumes in the fourth quarter were flat year-on-year with improved sequential margins in the fourth quarter as the Group prioritised input cost recovery over volume. We expect both margins to improve and volumes to recover as we progress through 2018 with the region also benefitting from the ramp-up of the Los Reyes mill which started mid-2017 and will deliver an additional 100,000 tonnes of recycled containerboard for integration at full run-rate.

In the US, our margins and profitability improved year-on-year in the fourth quarter as price increases progressed and our Texas Mill continues to perform well. For both the quarter and the year, our box volumes were lower due to some rationalisation projects in our operations in California, along with the continued impact of natural events during the second half of the year.

Our Argentinean business had a difficult year due to macro economic reforms which now seem to be showing signs of progress as we enter 2018. In Brazil, the economy continues to show signs of recovery. Corrugated volumes were up 10% year-on-year for the full year and with relatively stable raw material costs and ongoing input cost recovery, Brazil has reported a strong set of results up significantly on 2016. Volume growth in the fourth quarter in our other Americas operations was positive. Volumes for 2018 are expected to improve as we progress through the year, having started well.

In Venezuela, our corrugated shipments were down 35% in 2017 compared to 2016. However, the Group's operations continue to perform in extremely difficult circumstances and we continue to export paper to other SKG operations in the region. The macro situation remains uncertain and we continue to monitor events as they unfold. The business represented 2% of Group EBITDA in 2017 (2016: 3%). As a result of higher inflation in 2017, net assets in Venezuela increased to €128 million as at 31 December 2017 (31 December 2016: €91 million).

Summary Cash Flow

Summary cash flows(1) for the fourth quarter and twelve months are set out in the following table.

	3 months to 31-Dec-17 €m	3 months to 31-Dec-16 €m	**12 months to 31-Dec-17 €m**	12 months to 31-Dec-16 €m
EBITDA	**351**	320	**1,240**	1,236
Exceptional items	**(12)**	(15)	**(12)**	(15)
Cash interest expense	**(40)**	(38)	**(158)**	(148)
Working capital change	**8**	15	**(112)**	(95)
Current provisions	**3**	(2)	**(2)**	(8)
Capital expenditure	**(170)**	(177)	**(430)**	(499)
Change in capital creditors	**30**	48	**(28)**	49
Tax paid	**(46)**	(34)	**(154)**	(151)
Sale of fixed assets	**-**	1	**5**	3
Other	**(15)**	(14)	**(42)**	(69)
Free cash flow	**109**	104	**307**	303
Share issues	**-**	-	**1**	-
Purchase of own shares (net)	**1**	-	**(10)**	(10)
Sale of businesses and investments	**-**	4	**5**	17
Purchase of businesses and investments	**(17)**	(4)	**(63)**	(44)
Dividends	**(55)**	(53)	**(195)**	(170)
Derivative termination (payments)/receipts	**(5)**	13	**(6)**	13
Net cash inflow	**33**	64	**39**	109
Net debt acquired	**(9)**	(1)	**(6)**	(1)
Deferred debt issue costs amortised	**(3)**	(2)	**(12)**	(10)
Currency translation adjustment	**13**	(49)	**115**	9
Decrease in net debt	**34**	12	**136**	107

(1) The summary cash flow is prepared on a different basis to the Consolidated Statement of Cash Flows under IFRS ('IFRS cash flow') and as such the reconciling items between EBITDA and decrease/(increase) in net debt may differ to amounts presented in the IFRS cash flow. The principal differences are as follows:

(a) The summary cash flow details movements in net debt. The IFRS cash flow details movements in cash and cash equivalents.

(b) Free cash flow reconciles to cash generated from operations in the IFRS cash flow as shown in the table on the next page. The main adjustments are in respect of cash interest, capital expenditure, tax payments and the sale of fixed assets and businesses.

(c) The IFRS cash flow has different sub-headings to those used in the summary cash flow.

- Current provisions in the summary cash flow are included within change in employee benefits and other provisions in the IFRS cash flow.
- The total of capital expenditure and change in capital creditors in the summary cash flow includes additions to intangible assets which is shown separately in the IFRS cash flow. It also includes capitalised leased assets which are excluded from additions to property, plant and equipment and biological assets in the IFRS cash flow.
- Other in the summary cash flow includes changes in employee benefits and other provisions (excluding current provisions), amortisation of capital grants, receipt of capital grants and dividends received from associates which are shown separately in the IFRS cash flow.

Reconciliation of Free Cash Flow to Cash Generated from Operations

		12 months to 31-Dec-17 €m	12 months to 31-Dec-16 €m
Free cash flow		**307**	303
Add back:	Cash interest	**158**	148
	Capital expenditure (net of change in capital creditors)	**458**	450
	Tax payments	**154**	151
Less:	Sale of fixed assets	**(5)**	(3)
	Profit on sale of assets and businesses – non-exceptional	**(9)**	(9)
	Receipt of capital grants (in 'Other' in summary cash flow)	**(4)**	(3)
	Dividends received from associates (in 'Other' in summary cash flow)	**(1)**	(1)
Cash generated from operations		**1,058**	1,036

Capital Resources

The Group's primary sources of liquidity are cash flow from operations and borrowings under the revolving credit facility. The Group's primary uses of cash are for funding day to day operations, capital expenditure, debt service, dividends and other investment activity including acquisitions.

At 31 December 2017, Smurfit Kappa Treasury Funding DAC had outstanding US$292.3 million 7.50% senior debentures due 2025. The Group had outstanding €9 million and STG£70.9 million variable funding notes issued under the €240 million accounts receivable securitisation programme maturing in June 2019, together with €5 million variable funding notes issued under the €175 million accounts receivable securitisation programme maturing in February 2022.

Smurfit Kappa Acquisitions Unlimited Company had outstanding €200 million 5.125% senior notes due 2018, US$300 million 4.875% senior notes due 2018, €400 million 4.125% senior notes due 2020, €250 million senior floating rate notes due 2020, €500 million 3.25% senior notes due 2021, €500 million 2.375% senior notes due 2024 and €250 million 2.75% senior notes due 2025. Smurfit Kappa Acquisitions Unlimited Company and certain subsidiaries are also party to a senior credit facility. At 31 December 2017, the Group's senior credit facility comprised term drawings of €312.6 million, US$55.8 million and STG£113.5 million under the amortising Term A facility maturing in 2020. In addition, at 31 December 2017, the facility included an €845 million revolving credit facility of which €6 million was drawn in revolver loans, with a further €5 million in operational facilities including letters of credit drawn under various ancillary facilities.

The following table provides the range of interest rates at 31 December 2017 for each of the drawings under the various senior credit facility loans.

Borrowing Arrangement	**Currency**	**Interest Rate**
Term A Facility	EUR	1.229% - 1.271%
	USD	3.169%
	GBP	2.090%
Revolving Credit Facility	EUR	0.980%

Borrowings under the revolving credit facility are available to fund the Group's working capital requirements, capital expenditures and other general corporate purposes.

Capital Resources (continued)

In January 2017, the Group issued €500 million of seven-year euro denominated senior notes at a coupon of 2.375%, the proceeds of which were used to prepay term debt under the senior credit facility, reduce indebtedness under existing securitisation facilities and for general corporate purposes. In February 2017, the Group increased the revolving credit facility under the senior credit facility by €220 million thereby further enhancing liquidity.

In May 2017, the Group amended, restated and extended its €175 million 2018 receivables securitisation programme, which utilises the Group's receivables in Austria, Belgium, Italy and the Netherlands, extending the maturity to 2022 and reducing the margin on the variable funding notes from 1.70% to 1.375%.

Market Risk and Risk Management Policies

The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies. Interest rate risk exposure is managed by achieving an appropriate balance of fixed and variable rate funding. As at 31 December 2017, the Group had fixed an average of 79% of its interest cost on borrowings over the following twelve months.

The Group's fixed rate debt comprised €200 million 5.125% senior notes due 2018, US$300 million 4.875% senior notes due 2018 (US$50 million swapped to floating), €400 million 4.125% senior notes due 2020, €500 million 3.25% senior notes due 2021, €500 million 2.375% senior notes due 2024, €250 million 2.75% senior notes due 2025 and US$292.3 million 7.50% senior debentures due 2025. In addition the Group had €349 million in interest rate swaps with maturity dates ranging from October 2018 to January 2021.

The Group's earnings are affected by changes in short-term interest rates as a result of its floating rate borrowings. If LIBOR/EURIBOR interest rates for these borrowings increase by one percent, the Group's interest expense would increase, and income before taxes would decrease, by approximately €8 million over the following twelve months. Interest income on the Group's cash balances would increase by approximately €6 million assuming a one percent increase in interest rates earned on such balances over the following twelve months.

The Group uses foreign currency borrowings, currency swaps, options and forward contracts in the management of its foreign currency exposures.

Principal Risks and Uncertainties

Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified, evaluated and appropriate risk management strategies are implemented at each level.

The Board in conjunction with senior management identifies major business risks faced by the Group and determines the appropriate course of action to manage these risks.

The principal risks and uncertainties faced by the Group were outlined in our 2016 annual report on pages 30-35. The annual report is available on our website smurfitkappa.com. The principal risks and uncertainties for the financial year are summarised below.

- If the current climate were to deteriorate, especially as a result of Brexit, and result in an increased economic slowdown which was sustained over any significant length of time, or the sovereign debt crisis (including its impact on the euro) were to re-emerge or exacerbate as a result of Brexit, it could adversely affect the Group's financial position and results of the operations.
- The cyclical nature of the packaging industry could result in overcapacity and consequently threaten the Group's pricing structure.
- If operations at any of the Group's facilities (in particular its key mills) were interrupted for any significant length of time it could adversely affect the Group's financial position and results of operations.
- Price fluctuations in raw materials and energy costs could adversely affect the Group's manufacturing costs.
- The Group is exposed to currency exchange rate fluctuations.
- The Group may not be able to attract and retain suitably qualified employees as required for its business.
- Failure to maintain good health and safety practices may have an adverse effect on the Group's business.
- The Group is subject to a growing number of environmental laws and regulations, and the cost of compliance or the failure to comply with current and future laws and regulations may negatively affect the Group's business.
- The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates.
- The Group, similar to other large global companies, is susceptible to cyber attacks with the threat to the confidentiality, integrity and availability of data in its systems.
- The Group is exposed to potential risks in relation to the political instability in Venezuela which are set out as follows:
    - The Venezuelan economy remains depressed and the political situation unpredictable, increasing the risk of future inflationary pressures and currency devaluations. The effect of high inflation without a corresponding devaluation of the exchange rate would result in a net monetary loss which may distort some of the Group's key metrics. Were the exchange rate to devalue in line with inflation, it would have an adverse effect on our results of operations in Venezuela. We will continue to monitor events as they unfold.
    - Our Venezuelan operations have mitigated to some extent the loss of revenue due to the drop in corrugated volumes in the country by exporting paper to our operations in other Latin American countries. This export of paper is subject to the availability of local raw materials to produce the paper, the quality of the paper being maintained to a satisfactory standard for our end markets and the renewal of an export licence by the Government every six months. There is a risk that if the quality of paper materially deteriorated due to a lack of raw materials or if we were unable to renew the export licence it would have an adverse effect on our results of operations.
    - In 2014 the Venezuelan government decreed that companies could only seek price increases if they had clearance that their margins were within certain guidelines. Our Venezuelan operations may not be able to implement price increases in a timely manner to cover the cost of its increasing raw material and labour costs as a result of inflation and the devaluation of currency, which would have an adverse effect on our results of operations in Venezuela.

The Board regularly monitors all of the above risks and appropriate actions are taken to mitigate those risks or address their potential adverse consequences.

Consolidated Income Statement – Twelve Months

	12 months to 31-Dec-17 Unaudited			12 months to 31-Dec-16 Audited		
	Pre-exceptional 2017	**Exceptional 2017**	**Total 2017**	Pre-exceptional 2016	Exceptional 2016	Total 2016
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**8,562**	**-**	**8,562**	8,159	-	8,159
Cost of sales	**(5,997)**	**(11)**	**(6,008)**	(5,690)	-	(5,690)
Gross profit	**2,565**	**(11)**	**2,554**	2,469	-	2,469
Distribution costs	**(667)**	**-**	**(667)**	(636)	-	(636)
Administrative expenses	**(1,078)**	**-**	**(1,078)**	(1,003)	-	(1,003)
Other operating expenses	**-**	**(12)**	**(12)**	-	(15)	(15)
Operating profit	**820**	**(23)**	**797**	830	(15)	815
Finance costs	**(248)**	**(2)**	**(250)**	(215)	-	(215)
Finance income	**29**	**-**	**29**	40	12	52
Share of associates' profit (after tax)	**-**	**-**	**-**	2	-	2
Profit before income tax	**601**	**(25)**	**576**	657	(3)	654
Income tax expense			**(153)**			(196)
Profit for the financial year			**423**			458
Attributable to:						
Owners of the parent			**417**			444
Non-controlling interests			**6**			14
Profit for the financial year			**423**			458
Earnings per share						
Basic earnings per share - cent			**177.2**			189.4
Diluted earnings per share - cent			**175.8**			187.5

Consolidated Income Statement – Fourth Quarter

	3 months to 31-Dec-17 Unaudited			3 months to 31-Dec-16 Unaudited		
	Pre-exceptional 2017	**Exceptional 2017**	**Total 2017**	Pre-exceptional 2016	Exceptional 2016	Total 2016
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**2,208**	**-**	**2,208**	2,060	-	2,060
Cost of sales	**(1,515)**	**(11)**	**(1,526)**	(1,433)	-	(1,433)
Gross profit	**693**	**(11)**	**682**	627	-	627
Distribution costs	**(170)**	**-**	**(170)**	(160)	-	(160)
Administrative expenses	**(277)**	**-**	**(277)**	(246)	-	(246)
Other operating expenses	**-**	**(12)**	**(12)**	-	(15)	(15)
Operating profit	**246**	**(23)**	**223**	221	(15)	206
Finance costs	**(70)**	**-**	**(70)**	(54)	-	(54)
Finance income	**8**	**-**	**8**	3	-	3
Profit before income tax	**184**	**(23)**	**161**	170	(15)	155
Income tax expense			**(41)**			(49)
Profit for the financial period			**120**			106
Attributable to:						
Owners of the parent			**118**			99
Non-controlling interests			**2**			7
Profit for the financial period			**120**			106
Earnings per share						
Basic earnings per share - cent			**50.2**			42.3
Diluted earnings per share - cent			**49.8**			41.9

Consolidated Statement of Comprehensive Income – Twelve Months

	12 months to 31-Dec-17 Unaudited €m	12 months to 31-Dec-16 Audited €m
Profit for the financial year	**423**	458
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the financial year	**(215)**	(80)
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	**8**	7
- New fair value adjustments into reserve	**(3)**	(7)
	(210)	(80)
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial loss	**(9)**	(148)
- Movement in deferred tax	**1**	23
	(8)	(125)
Total other comprehensive expense	**(218)**	(205)
Total comprehensive income for the financial year	**205**	253
Attributable to:		
Owners of the parent	**225**	235
Non-controlling interests	**(20)**	18
Total comprehensive income for the financial year	**205**	253

Consolidated Statement of Comprehensive Income – Fourth Quarter

	3 months to 31-Dec-17 Unaudited €m	3 months to 31-Dec-16 Unaudited €m
Profit for the financial period	**120**	106
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the financial period	**(57)**	43
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	**2**	2
	(55)	45
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial (loss)/profit	**(2)**	43
- Movement in deferred tax	**-**	(5)
	(2)	38
Total other comprehensive (expense)/income	**(57)**	83
Total comprehensive income for the financial period	**63**	189
Attributable to:		
Owners of the parent	**65**	179
Non-controlling interests	**(2)**	10
Total comprehensive income for the financial period	**63**	189

Consolidated Balance Sheet

	31-Dec-17 Unaudited €m	31-Dec-16 Audited €m
ASSETS		
Non-current assets		
Property, plant and equipment	**3,242**	3,261
Goodwill and intangible assets	**2,427**	2,478
Available-for-sale financial assets	**21**	21
Investment in associates	**13**	17
Biological assets	**110**	114
Trade and other receivables	**27**	29
Derivative financial instruments	**3**	42
Deferred income tax assets	**200**	190
	6,043	6,152
Current assets		
Inventories	**838**	779
Biological assets	**11**	10
Trade and other receivables	**1,558**	1,470
Derivative financial instruments	**16**	10
Restricted cash	**9**	7
Cash and cash equivalents	**530**	436
	2,962	2,712
Total assets	**9,005**	8,864
EQUITY		
Capital and reserves attributable to owners of the parent		
Equity share capital	**-**	-
Share premium	**1,984**	1,983
Other reserves	**(678)**	(507)
Retained earnings	**1,202**	853
Total equity attributable to owners of the parent	**2,508**	2,329
Non-controlling interests	**151**	174
Total equity	**2,659**	2,503
LIABILITIES		
Non-current liabilities		
Borrowings	**2,671**	3,247
Employee benefits	**848**	884
Derivative financial instruments	**26**	12
Deferred income tax liabilities	**148**	183
Non-current income tax liabilities	**33**	30
Provisions for liabilities and charges	**62**	69
Capital grants	**19**	14
Other payables	**17**	13
	3,824	4,452
Current liabilities		
Borrowings	**673**	137
Trade and other payables	**1,779**	1,705
Current income tax liabilities	**37**	21
Derivative financial instruments	**10**	27
Provisions for liabilities and charges	**23**	19
	2,522	1,909
Total liabilities	**6,346**	6,361
Total equity and liabilities	**9,005**	8,864

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent						
	Equity share capital €m	Share premium €m	Other reserves €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Unaudited							
At 1 January 2017	**-**	**1,983**	**(507)**	**853**	**2,329**	**174**	**2,503**
Profit for the financial year	**-**	**-**	**-**	**417**	**417**	**6**	**423**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**(189)**	**-**	**(189)**	**(26)**	**(215)**
Defined benefit pension plans	**-**	**-**	**-**	**(8)**	**(8)**	**-**	**(8)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**5**	**-**	**5**	**-**	**5**
Total comprehensive (expense)/income for the financial year	**-**	**-**	**(184)**	**409**	**225**	**(20)**	**205**
Shares issued	**-**	**1**	**-**	**-**	**1**	**-**	**1**
Purchase of non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(15)**	**(15)**
Hyperinflation adjustment	**-**	**-**	**-**	**131**	**131**	**16**	**147**
Dividends paid	**-**	**-**	**-**	**(191)**	**(191)**	**(4)**	**(195)**
Share-based payment	**-**	**-**	**23**	**-**	**23**	**-**	**23**
Net shares acquired by SKG Employee Trust	**-**	**-**	**(10)**	**-**	**(10)**	**-**	**(10)**
At 31 December 2017	**-**	**1,984**	**(678)**	**1,202**	**2,508**	**151**	**2,659**
Audited							
At 1 January 2016	-	1,983	(425)	619	2,177	151	2,328
Profit for the financial year	-	-	-	444	444	14	458
Other comprehensive income							
Foreign currency translation adjustments	-	-	(84)	-	(84)	4	(80)
Defined benefit pension plans	-	-	-	(125)	(125)	-	(125)
Total comprehensive (expense)/income for the financial year	-	-	(84)	319	235	18	253
Hyperinflation adjustment	-	-	-	81	81	9	90
Dividends paid	-	-	-	(166)	(166)	(4)	(170)
Share-based payment	-	-	12	-	12	-	12
Net shares acquired by SKG Employee Trust	-	-	(10)	-	(10)	-	(10)
At 31 December 2016	-	1,983	(507)	853	2,329	174	2,503

An analysis of the movements in Other reserves is provided in Note 13.

Consolidated Statement of Cash Flows

	12 months to 31-Dec-17 Unaudited €m	12 months to 31-Dec-16 Audited €m
Cash flows from operating activities		
Profit before income tax	**576**	654
Net finance costs	**221**	163
Depreciation charge	**360**	357
Impairment of assets	**11**	-
Amortisation of intangible assets	**40**	40
Amortisation of capital grants	**(2)**	(2)
Equity settled share-based payment expense	**23**	12
Profit on sale/purchase of assets and businesses	**(9)**	(13)
Share of associates' profit (after tax)	**-**	(2)
Net movement in working capital	**(110)**	(94)
Change in biological assets	**(4)**	(4)
Change in employee benefits and other provisions	**(54)**	(87)
Other (primarily hyperinflation adjustments)	**6**	12
Cash generated from operations	**1,058**	1,036
Interest paid	**(161)**	(151)
Income taxes paid:		
Irish corporation tax paid	**(14)**	(24)
Overseas corporation tax (net of tax refunds) paid	**(140)**	(127)
Net cash inflow from operating activities	**743**	734
Cash flows from investing activities		
Interest received	**3**	3
Business disposals	**4**	4
Additions to property, plant and equipment and biological assets	**(442)**	(427)
Additions to intangible assets	**(16)**	(13)
Receipt of capital grants	**4**	3
Disposal of available-for-sale financial assets	**-**	13
Increase in restricted cash	**(2)**	(2)
Disposal of property, plant and equipment	**14**	12
Disposal of associates	**1**	-
Dividends received from associates	**1**	1
Purchase of subsidiaries	**(49)**	(35)
Deferred consideration paid	**(3)**	(9)
Net cash outflow from investing activities	**(485)**	(450)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares	**1**	-
Proceeds from bond issue	**500**	-
Proceeds from other debt issues	**-**	250
Purchase of own shares (net)	**(10)**	(10)
Purchase of non-controlling interests	**(7)**	-
Decrease in other interest-bearing borrowings	**(78)**	(65)
Repayment of finance leases	**(2)**	(3)
Repayment of borrowings	**(366)**	(169)
Derivative termination (payments)/receipts	**(6)**	13
Deferred debt issue costs paid	**(10)**	(3)
Dividends paid to shareholders	**(191)**	(166)
Dividends paid to non-controlling interests	**(4)**	(4)
Net cash outflow from financing activities	**(173)**	(157)
Increase in cash and cash equivalents	**85**	127
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**402**	263
Currency translation adjustment	**16**	12
Increase in cash and cash equivalents	**85**	127
Cash and cash equivalents at 31 December	**503**	402

An analysis of the Net movement in working capital is provided in Note 11.

Notes to the Consolidated Financial Statements

1. General Information

Smurfit Kappa Group plc ('SKG plc' or 'the Company') and its subsidiaries (together 'SKG' or 'the Group') manufacture, distribute and sell containerboard, corrugated containers and other paper-based packaging products such as solidboard, graphicboard and bag-in-box. The Company is a public limited company whose shares are publicly traded. It is incorporated and domiciled in Ireland. The address of its registered office is Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland.

2. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as adopted by the European Union ('EU'); and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial information in this report has been prepared in accordance with the Group's accounting policies. Full details of the accounting policies adopted by the Group are contained in the consolidated financial statements included in the Group's annual report for the year ended 31 December 2016 which is available on the Group's website; smurfitkappa.com. The accounting policies and methods of computation and presentation adopted in the preparation of the Group financial information are consistent with those described and applied in the annual report for the year ended 31 December 2016. There are no new IFRS standards effective from 1 January 2017 which had a material effect on the financial information included in this report.

The financial information includes all adjustments that management considers necessary for a fair presentation of such financial information. All such adjustments are of a normal recurring nature. Certain tables in the financial information may not add precisely due to rounding.

The financial information presented in this preliminary release does not constitute full statutory financial statements. The preliminary release was approved by the Board of Directors. The annual report and financial statements will be approved by the Board of Directors and reported on by the auditors in due course. The annual financial statements reported on by the auditors will not contain quarterly information. Accordingly, the financial information is unaudited. Full statutory financial statements for the year ended 31 December 2016 have been filed with the Irish Registrar of Companies. The audit report on those statutory financial statements was unqualified.

3. Segmental Analyses

The Group has determined operating segments based on the manner in which reports are reviewed by the chief operating decision maker ('CODM'). The CODM is determined to be the executive management team responsible for assessing performance, allocating resources and making strategic decisions. The Group has identified two operating segments: 1) Europe and 2) The Americas.

The Europe segment is highly integrated. It includes a system of mills and plants that primarily produces a full line of containerboard that is converted into corrugated containers. The Americas segment comprises all forestry, paper, corrugated and folding carton activities in a number of Latin American countries and the United States. Inter-segment revenue is not material. No operating segments have been aggregated for disclosure purposes.

Segment profit is measured based on EBITDA(1)

	12 months to 31-Dec-17			12 months to 31-Dec-16		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**6,404**	**2,158**	**8,562**	6,146	2,013	8,159
EBITDA before exceptional items	**955**	**311**	**1,266**	928	339	1,267
Segment exceptional items	**-**	**(12)**	**(12)**	-	(15)	(15)
EBITDA after exceptional items	**955**	**299**	**1,254**	928	324	1,252
Unallocated centre costs			**(26)**			(31)
Share-based payment expense			**(24)**			(13)
Depreciation and depletion (net)			**(356)**			(353)
Amortisation			**(40)**			(40)
Impairment of assets			**(11)**			-
Finance costs			**(250)**			(215)
Finance income			**29**			52
Share of associates' profit (after tax)			**-**			2
Profit before income tax			**576**			654
Income tax expense			**(153)**			(196)
Profit for the financial year			**423**			458

(1) EBITDA is defined within Alternative Performance Measures set out in Supplementary Financial Information.

3. Segmental Analyses (continued)

	3 months to 31-Dec-17			3 months to 31-Dec-16		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**1,630**	**578**	**2,208**	1,506	554	2,060
EBITDA before exceptional items	**269**	**87**	**356**	228	98	326
Segment exceptional items	**-**	**(12)**	**(12)**	-	(15)	(15)
EBITDA after exceptional items	**269**	**75**	**344**	228	83	311
Unallocated centre costs			**(5)**			(6)
Share-based payment expense			**(11)**			-
Depreciation and depletion (net)			**(84)**			(85)
Amortisation			**(10)**			(14)
Impairment of assets			**(11)**			-
Finance costs			**(70)**			(54)
Finance income			**8**			3
Profit before income tax			**161**			155
Income tax expense			**(41)**			(49)
Profit for the financial period			**120**			106

4. Exceptional Items

The following items are regarded as exceptional in nature:	**12 months to 31-Dec-17 €m**	12 months to 31-Dec-16 €m
Impairment of assets	**11**	-
Reorganisation and restructuring costs	**12**	15
Exceptional items included in operating profit	**23**	15
Exceptional finance costs	**2**	-
Exceptional finance income	**-**	(12)
Exceptional items included in net finance costs	**2**	(12)
Total exceptional items	**25**	3

Exceptional items charged within operating profit in the year ended to December 2017 amounted to €23 million. These were reported in the fourth quarter and comprised impairment losses of €11 million relating to property, plant and equipment in one of our European mills and a corrugated plant in the Americas. The remaining €12 million related to reorganisation and restructuring costs in the Americas. In 2016, we charged €15 million in the fourth quarter in respect of reorganisation and restructuring costs in the Americas.

Exceptional finance costs of €2 million arose in the first quarter of 2017 and represented the accelerated amortisation of the issue costs relating to the debt within our senior credit facility which was paid down with the proceeds of January's €500 million bond issue. The exceptional finance income in 2016 related to the gain of €12 million on the sale of our shareholding in the Swedish company, IL Recycling, in the second quarter.

5. Finance Costs and Income

	12 months to 31-Dec-17 €m	12 months to 31-Dec-16 €m
Finance costs:		
Interest payable on bank loans and overdrafts	**52**	56
Interest payable on finance leases and hire purchase contracts	**1**	-
Interest payable on other borrowings	**119**	106
Exceptional finance costs associated with debt restructuring	**2**	-
Unwinding discount element of provision	**1**	1
Foreign currency translation loss on debt	**27**	12
Fair value loss on derivatives not designated as hedges	**-**	17
Net interest cost on net pension liability	**24**	23
Net monetary loss - hyperinflation	**24**	-
Total finance costs	**250**	215
Finance income:		
Other interest receivable	**(3)**	(3)
Foreign currency translation gain on debt	**(14)**	(28)
Exceptional gain on sale of investment	**-**	(12)
Fair value gain on derivatives not designated as hedges	**(12)**	(5)
Net monetary gain - hyperinflation	**-**	(4)
Total finance income	**(29)**	(52)
Net finance costs	**221**	163

6. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement

	12 months to 31-Dec-17 €m	12 months to 31-Dec-16 €m
Current tax:		
Europe	**143**	87
The Americas	**48**	69
	191	156
Deferred tax	**(38)**	40
Income tax expense	**153**	196
Current tax is analysed as follows:		
Ireland	**20**	14
Foreign	**171**	142
	191	156

Income tax recognised in the Consolidated Statement of Comprehensive Income

	12 months to 31-Dec-17 €m	12 months to 31-Dec-16 €m
Arising on defined benefit plans	**(1)**	(23)

The income tax expense in 2017 is €43 million lower than in the comparable period in 2016.

The current tax expense has increased by €35 million compared to the prior period. In Europe the current tax expense is €56 million higher. The Group's historic tax losses have now been fully utilised in a number of countries and the impact of this, together with other timing items, is included in the increased current tax expense in 2017. In the Americas, the current tax expense is €21 million lower and this reflects the tax effects of lower profitability.

There is a deferred tax credit of €38 million in 2017 compared to a deferred tax charge of €40 million in 2016. The movement in deferred tax includes the effects of the reversal of timing differences on which deferred tax liabilities were previously recognised, other credits and the use and recognition of tax losses.

The income tax expense includes a €6 million tax credit in respect of exceptional items compared to a €3 million credit in 2016.

7. Employee Benefits – Defined Benefit Plans

The table below sets out the components of the defined benefit cost for the year:

	12 months to 31-Dec-17 €m	12 months to 31-Dec-16 €m
Current service cost	**28**	29
Past service cost	**-**	(21)
Gain on settlement	**-**	(5)
Actuarial loss arising on other long-term employee benefits	**1**	1
Net interest cost on net pension liability	**18**	22
Defined benefit cost	**47**	26

Included in cost of sales, distribution costs and administrative expenses is a defined benefit cost of €29 million (2016: cost of €4 million). Net interest cost on net pension liability of €18 million (2016: €22 million) is included in finance costs in the Consolidated Income Statement.

The negative past service cost of €21 million in 2016 relates to the change from defined benefit to defined contribution arrangements in a number of countries in Europe.

The amounts recognised in the Consolidated Balance Sheet were as follows:

	31-Dec-17 €m	31-Dec-16 €m
Present value of funded or partially funded obligations	**(2,282)**	(2,320)
Fair value of plan assets	**1,953**	1,954
Deficit in funded or partially funded plans	**(329)**	(366)
Present value of wholly unfunded obligations	**(517)**	(517)
Amounts not recognised as assets due to asset ceiling	**(2)**	(1)
Net pension liability	**(848)**	(884)

The employee benefits provision has reduced from €884 million at 31 December 2016 to €848 million at 31 December 2017, mainly as a result of Group cash contributions in excess of liability accrual and positive asset performance.

8. Earnings per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year less own shares.

	12 months to 31-Dec-17	12 months to 31-Dec-16
Profit attributable to owners of the parent (€ million)	**417**	444
Weighted average number of ordinary shares in issue (million)	**235**	235
Basic earnings per share (cent)	**177.2**	189.4

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. These comprise convertible shares issued under the Share Incentive Plan, which were based on performance and the passage of time, deferred shares held in trust, which are based on the passage of time, and matching shares, which are performance-based in addition to the passage of time. Both deferred shares held in trust and matching shares are issued under the Deferred Annual Bonus Plan. Where the conditions governing exercisability of these shares have been satisfied as at the end of the reporting period, they are included in the computation of diluted earnings per ordinary share.

	12 months to 31-Dec-17	12 months to 31-Dec-16
Profit attributable to owners of the parent (€ million)	**417**	444
Weighted average number of ordinary shares in issue (million)	**235**	235
Potential dilutive ordinary shares assumed (million)	**2**	2
Diluted weighted average ordinary shares (million)	**237**	237
Diluted earnings per share (cent)	**175.8**	187.5

Pre-exceptional

	12 months to 31-Dec-17	12 months to 31-Dec-16
Profit attributable to owners of the parent (€ million)	**417**	444
Exceptional items included in profit before income tax (Note 4) (€ million)	**25**	3
Income tax on exceptional items (€ million)	**(6)**	(3)
Pre-exceptional profit attributable to owners of the parent (€ million)	**436**	444
Weighted average number of ordinary shares in issue (million)	**235**	235
Pre-exceptional basic earnings per share (cent)	**185.3**	189.4
Diluted weighted average ordinary shares (million)	**237**	237
Pre-exceptional diluted earnings per share (cent)	**183.8**	187.6

9. Dividends

In May 2017, the final dividend for 2016 of 57.6 cent per share was paid to the holders of ordinary shares. In October 2017, an interim dividend for 2017 of 23.1 cent per share was paid to the holders of ordinary shares.

The Board is recommending a final dividend of 64.5 cent per share for 2017 subject to the approval of the shareholders at the AGM. It is proposed to pay the final dividend on 11 May 2018 to all ordinary shareholders on the share register at the close of business on 13 April 2018. The final dividend and interim dividend are paid in May and October in each year.

10. Property, Plant and Equipment

	Land and buildings €m	**Plant and equipment €m**	**Total €m**
Year ended 31 December 2017			
Opening net book amount	**1,004**	**2,257**	**3,261**
Reclassifications	**56**	**(57)**	**(1)**
Additions	**1**	**401**	**402**
Acquisitions	**23**	**15**	**38**
Depreciation charge	**(49)**	**(311)**	**(360)**
Impairments	**-**	**(11)**	**(11)**
Retirements and disposals	**(3)**	**(1)**	**(4)**
Hyperinflation adjustment	**42**	**34**	**76**
Foreign currency translation adjustment	**(51)**	**(108)**	**(159)**
At 31 December 2017	**1,023**	**2,219**	**3,242**
Year ended 31 December 2016			
Opening net book amount	988	2,115	3,103
Reclassifications	42	(43)	(1)
Additions	11	465	476
Acquisitions	10	56	66
Depreciation charge	(48)	(309)	(357)
Retirements and disposals	(1)	(11)	(12)
Hyperinflation adjustment	25	21	46
Foreign currency translation adjustment	(23)	(37)	(60)
At 31 December 2016	1,004	2,257	3,261

11. Net Movement in Working Capital

	12 months to 31-Dec-17 €m	12 months to 31-Dec-16 €m
Change in inventories	**(112)**	(60)
Change in trade and other receivables	**(136)**	(51)
Change in trade and other payables	**138**	17
Net movement in working capital	**(110)**	(94)

12. Analysis of Net Debt

	31-Dec-17	31-Dec-16
	€m	€m
Senior credit facility:		
Revolving credit facility[1] – interest at relevant interbank rate + 1.35%[6]	**2**	1
Term loan facility[2] – interest at relevant interbank rate + 1.60%[6]	**485**	741
US$292.3 million 7.50% senior debentures due 2025 (including accrued interest)	**245**	279
Bank loans and overdrafts	**154**	167
Cash	**(539)**	(443)
2019 receivables securitisation variable funding notes	**88**	182
2022 receivables securitisation variable funding notes (including accrued interest)[3]	**4**	114
2018 senior notes (including accrued interest)[4]	**455**	488
€400 million 4.125% senior notes due 2020 (including accrued interest)	**405**	404
€250 million senior floating rate notes due 2020 (including accrued interest)[5]	**250**	249
€500 million 3.25% senior notes due 2021 (including accrued interest)	**497**	496
€500 million 2.375% senior notes due 2024 (including accrued interest)	**498**	-
€250 million 2.75% senior notes due 2025 (including accrued interest)	**249**	249
Net debt before finance leases	**2,793**	2,927
Finance leases	**12**	14
Net debt including leases	**2,805**	2,941

(1) Revolving credit facility ('RCF') of €845 million (available under the senior credit facility) to be repaid in 2020. The RCF was increased by €220 million in February 2017. (a) Revolver loans - €6 million, (b) drawn under ancillary facilities and facilities supported by letters of credit – nil and (c) other operational facilities including letters of credit - €5 million.

(2) Term loan facility due to be repaid in certain instalments from 2018 to 2020. In January and February 2017, the Group prepaid €260 million of drawings under the term loan facility.

(3) In May 2017, the €175 million receivables securitisation programme was amended and restated, extending the maturity to 2022 and reducing the variable funding notes margin from 1.70% to 1.375%.

(4) €200 million 5.125% senior notes due 2018 and US$300 million 4.875% senior notes due 2018.

(5) Interest at EURIBOR + 3.5%.

(6) The margins applicable under the senior credit facility are determined as follows:

Net debt/EBITDA ratio	**RCF**	**Term Loan Facility**
Greater than 3.0 : 1	1.85%	2.10%
3.0 : 1 or less but more than 2.5 : 1	1.35%	1.60%
2.5 : 1 or less but more than 2.0 : 1	1.10%	1.35%
2.0 : 1 or less	0.85%	1.10%

13. Other Reserves

Other reserves included in the Consolidated Statement of Changes in Equity are comprised of the following:

	Reverse acquisition reserve €m	Cash flow hedging reserve €m	Foreign currency translation reserve €m	Share-based payment reserve €m	Own shares €m	Available-for-sale reserve €m	Total €m
At 1 January 2017	**575**	**(22)**	**(1,193)**	**165**	**(33)**	**1**	**(507)**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**(189)**	**-**	**-**	**-**	**(189)**
Effective portion of changes in fair value of cash flow hedges	**-**	**5**	**-**	**-**	**-**	**-**	**5**
Total other comprehensive income/(expense)	**-**	**5**	**(189)**	**-**	**-**	**-**	**(184)**
Share-based payment	**-**	**-**	**-**	**23**	**-**	**-**	**23**
Net shares acquired by SKG Employee Trust	**-**	**-**	**-**	**-**	**(10)**	**-**	**(10)**
Shares distributed by SKG Employee Trust	**-**	**-**	**-**	**(12)**	**12**	**-**	**-**
At 31 December 2017	**575**	**(17)**	**(1,382)**	**176**	**(31)**	**1**	**(678)**
At 1 January 2016	575	(22)	(1,109)	168	(38)	1	(425)
Other comprehensive income							
Foreign currency translation adjustments	-	-	(84)	-	-	-	(84)
Total other comprehensive expense	-	-	(84)	-	-	-	(84)
Share-based payment	-	-	-	12	-	-	12
Net shares acquired by SKG Employee Trust	-	-	-	-	(10)	-	(10)
Shares distributed by SKG Employee Trust	-	-	-	(15)	15	-	-
At 31 December 2016	575	(22)	(1,193)	165	(33)	1	(507)

14. Venezuela

Hyperinflation

As discussed more fully in the 2016 annual report, Venezuela became hyperinflationary during 2009 when its cumulative inflation rate for the past three years exceeded 100%. As a result, the Group applied the hyperinflationary accounting requirements of IAS 29 – *Financial Reporting in Hyperinflationary Economies* to its Venezuelan operations at 31 December 2009 and for all subsequent accounting periods.

In 2017 and 2016, management engaged an independent expert to determine an estimate of the annual inflation rate. The estimated level of inflation for the year ended 2017 was 971% (2016: 333%).

As a result of the entries recorded in respect of hyperinflationary accounting under IFRS, the Consolidated Income Statement is impacted as follows: Revenue €30 million increase (2016: €62 million increase), EBITDA €13 million decrease (2016: €6 million increase) and profit after taxation €47 million decrease (2016: €29 million decrease). In 2017, a net monetary loss of €24 million (2016: €4 million net monetary gain) was recorded in the Consolidated Income Statement. The impact on our net assets and our total equity is an increase of €197 million (2016: €64 million increase).

Exchange Control

The Group consolidates its Venezuelan operations at the variable DICOM rate. The Group believes that DICOM is the most appropriate rate for accounting and consolidation, as it believes that this is the rate at which the Group extracts economic benefit. On this basis, in accordance with IFRS, the financial statements of the Group's operations in Venezuela were translated at 31 December 2017 using the DICOM rate of VEF 3,345.00 per US dollar and the closing euro/US dollar rate of 1 euro = US$1.1993.

Control

The nationalisation of foreign owned companies or assets by the Venezuelan government remains a risk. Market value compensation is either negotiated or arbitrated under applicable laws or treaties in these cases. However, the amount and timing of such compensation is necessarily uncertain.

The Group continues to control operations in Venezuela and, as a result, continues to consolidate all of the results and net assets of these operations at the year-end in accordance with the requirements of IFRS 10.

In 2017, the Group's operations in Venezuela represented approximately 2% (2016: 3%) of its EBITDA, 3% (2016: 2%) of its total assets and 5% (2016: 4%) of its net assets. Cumulative foreign translation losses arising on its net investment in these operations amounting to €1,081 million (2016: €987 million) are included in the foreign currency translation reserve.

Supplementary Financial Information

Alternative Performance Measures

Certain financial measures set out in this report are not defined under International Financial Reporting Standards ('IFRS'). An explanation for the use of these Alternative Performance Measures ('APMs') is set out within Financial Key Performance Indicators on pages 40-42 of the Group's 2016 annual report. The key APMs of the Group are set out below.

APM	Description
EBITDA	Earnings before exceptional items, share-based payment expense, share of associates' profit (after tax), net finance costs, income tax expense, depreciation and depletion (net), impairment of assets and intangible assets amortisation.
EBITDA Margin %	$\frac{\text{EBITDA}}{\text{Revenue}} \times 100$
Pre-exceptional Basic EPS (cent)	$\frac{\text{Profit attributable to owners of the parent, adjusted for exceptional items included in profit before tax and income tax on exceptional items}}{\text{Weighted average number of ordinary shares in issue}} \times 100$
Return on Capital Employed %	$\frac{\text{Last twelve months ('LTM') pre-exceptional operating profit plus share of associates' profit (after tax)}}{\text{Average capital employed (where capital employed is the average of total equity and net debt at the beginning and end of the LTM)}} \times 100$
Free Cash Flow	Free cash flow is the result of the cash inflows and outflows from our operating activities, and is before those arising from acquisition and disposal activities. Free cash flow (APM) and a reconciliation of free cash flow to cash generated from operations (IFRS measure) are included in the management commentary. The IFRS cash flow is included in the Consolidated Financial Statements.
Net Debt	Net debt is comprised of borrowings net of cash and cash equivalents and restricted cash.
Net Debt to EBITDA (LTM) times	$\frac{\text{Net debt}}{\text{EBITDA (LTM)}}$

Reconciliation of Profit to EBITDA

	3 months to 31-Dec-17 €m	3 months to 31-Dec-16 €m	**12 months to 31-Dec-17 €m**	12 months to 31-Dec-16 €m
Profit for the financial period	**120**	106	**423**	458
Income tax expense	**41**	49	**153**	196
Exceptional items charged in operating profit	**23**	15	**23**	15
Share of associates' profit (after tax)	**-**	-	**-**	(2)
Net finance costs (after exceptional items)	**62**	51	**221**	163
Share-based payment expense	**11**	-	**24**	13
Depreciation, depletion (net) and amortisation	**94**	99	**396**	393
EBITDA	**351**	320	**1,240**	1,236

Return on Capital Employed

	Q4, 2017 €m	Q4, 2016 €m	Q3, 2017 €m
Pre-exceptional operating profit plus share of associates' profit (after tax) (LTM)	**820**	832	795
Total equity – current period end	**2,659**	2,503	2,575
Net debt – current period end	**2,805**	2,941	2,839
Capital employed – current period end	**5,464**	5,444	5,414
Total equity – prior period end	**2,503**	2,328	2,356
Net debt – prior period end	**2,941**	3,048	2,953
Capital employed – prior period end	**5,444**	5,376	5,309
Average capital employed	**5,454**	5,410	5,361
Return on capital employed	**15.0%**	15.4%	14.8%

Supplementary Historical Financial Information

€m	FY, 2016	Q1, 2017	Q2, 2017	Q3, 2017	**Q4, 2017**	**FY, 2017**
Group and third party revenue	13,521	3,573	3,590	3,667	**3,828**	**14,659**
Third party revenue	8,159	2,129	2,104	2,121	**2,208**	**8,562**
EBITDA	1,236	278	292	320	**351**	**1,240**
EBITDA margin	15.1%	13.0%	13.9%	15.1%	**15.9%**	**14.5%**
Operating profit	815	168	190	216	**223**	**797**
Profit before income tax	654	109	136	170	**161**	**576**
Free cash flow	303	16	30	152	**109**	**307**
Basic earnings per share - cent	189.4	31.5	42.8	52.7	**50.2**	**177.2**
Weighted average number of shares used in EPS calculation (million)	235	235	235	235	**235**	**235**
Net debt	2,941	2,931	2,985	2,839	**2,805**	**2,805**
EBITDA (LTM)	1,236	1,233	1,212	1,209	**1,240**	**1,240**
Net debt to EBITDA (LTM)	2.38	2.38	2.46	2.35	**2.26**	**2.26**